

PRESIDING OFFICER'S
RULING NO. R97-1/7

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UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

Postal Rate and Fee Changes

Docket No. R97-1

PRESIDING OFFICER'S RULING CONCERNING
CORRECTIONS TO LIBRARY REFERENCE H-215

(August 13, 1997)

The Postal Service's request in this docket was filed on July 10, 1997. Its request was accompanied by USPS-LR-H-196, "Rule 54(a)(1) Alternate Commission Cost Presentation (Base Year)," and a notice that the test year alternate cost presentation required by Rule 54(a) would be delayed for ten to twelve days. On July 23, 1997, the Postal Service filed notice that there would be additional delay in providing the test year alternate cost presentation required by the Rule. The same day Presiding Officer Ruling No. R97-1/2 provided a list of discrepancies that the Commission had observed between the Postal Service's alternate base year cost presentation and the Commission's established attribution methods, and asked the Postal Service to correct them. On July 28, 1997, the Postal Service responded to POR No. R97-1/2 by filing revised sections of USPS-LR-H-196.

On July 31, 1997, the Postal Service filed USPS LR-H-215, "Rule 54(a)(1) Alternate Cost Presentation (Rollforward)." After review of that library reference, it appears that some of the discrepancies identified by POR No. R97-1/2 in the Postal Service's base year alternate cost presentation have not been corrected fully in USPS LR-H-215. In addition, the Commission has identified other apparent discrepancies between the Commission's established attribution methods and the Postal Service's

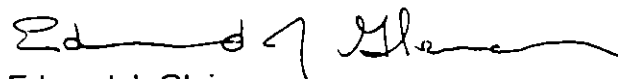
interim year and test year alternate cost presentations. These relatively minor discrepancies between the Postal Service's base year, interim year, and test year alternate cost presentations and the Commission's established attribution methods are summarized in the Attachment 1 to this Ruling.

To mitigate the delay experienced thus far in providing the notice that Rule 54(a) contemplates, the Postal Service is requested to complete the table in Attachment 2 to this Ruling using data already provided. The table compares the markups, and the markup indices, for the various subclasses that would result if attributable costs under the Postal Service's proposed rates were calculated as it proposes, and then calculated by established methods. This table should be provided by August 15, 1997. To expedite production of that table, the Service need not correct the relatively minor discrepancies listed in Attachment 1.

The Postal Service also is requested to provide revised sections to USPS LR-H-196 and LR-H-215 that correct the discrepancies identified on Attachment 1, and a corrected version of the table of markups no later than August 25, 1997.

RULING

1. The Postal Service should provide a completed version of the table in Attachment 1 to this Ruling by August 15, 1997.
2. The Postal Service should provide a revised versions of USPS LR-H-196, LR-H-215, and the table of markups by August 25, 1997


Edward J. Gleiman
Presiding Officer

Base Year

- (1) Mail processing peak load adjustment is incorrect. A comparison of the adjustment found in file by96p.fac and the correct adjustment is as follows:

	Incorrect <u>by96p.fac</u>	Correct <u>LR-H-196 (revised)at 87</u>
Total Adjustment	-424652	-511836
Night Diff. Non-Platform	313076	375189
Sun. Prem. Non-Platform	105899	128162
Night Diff. Platform	4542	7033
Sun. Prem. Platform	1135	1452

The incorrect adjustment is the Postal Service's base year adjustment under the proposed cost methodology in R97-1. The correct version reflects the adjustment used in the FY 1996 CRA report.

- (2) Segment 7, CDC street time CAT factors are correct but FAT factors still represent FY 1995.
- (3) The factor for powered transport equipment is still not reflected in the maintenance labor, parts and supplies, and capital factor distribution keys.
- (4) The equipment specific distribution keys for space and space-related costs (i.e., OCR, LSM, sack sorting machines, etc.) are 100 percent variable instead of 80 percent or 70 percent variable. (See Docket No. MC96-3, PRC LR-5, Part One at 25-28.)

FY 1997

- (1) The factor file Tybr97p.fac has the MC96-3 (FY 1995) PESSA cost factors instead of the FY 1997-98 PESSA factors. This affects the square foot distribution key, the rental value distribution key, and the capital factor distribution key.

All PESSA costs in FY 1997 are based on FY 1995 equipment factors not FY 1997.

- (2) The Alaskan air adjustment has been a test year adjustment. USPS uses the MC96-3 adjustment (.2054) in the interim year FY 1997.

Test Year

- (1) See item No. (1) under FY 1997.
- (2) The Alaskan air adjustment was not recalculated for the FY 1998 test year.

ATTACHMENT 2

	Markups			Markup Indices		
	PRC R94-1	Replic. PRC R97-1	USPS Proposal R97-1	PRC R94-1	Replic. PRC R97-1	USPS Proposal R97-1
First-Class:						
Letters	74.5			1.310		
Cards	36.7			0.645		
Priority Mail	97.0			1.705		
Express Mail	18.9			0.332		
Mailgrams	1.6			0.028		
Second Class:						
Within County	2.8			0.048		
Regular Rate	16.3			0.286		
Nonprofit	4.1			0.072		
Classroom	6.8			0.120		
Third Class:						
Single Piece	4.5			0.078		
Bulk Regular	51.1			0.899		
Bulk Nonprofit	8.7			0.152		
Fourth Class:						
Parcel Post	7.4			0.131		
Bound Pmt. Matter	36.6			0.643		
Special Rate	4.6			0.080		
Library Rate	0.8			0.013		
International Mail	21.8			0.383		
Special Services:						
Registry	44.5			0.782		
Certified	70.1			1.233		
Insurance	39.8			0.700		
COD	2.6			0.046		
Special Delivery	4.1			0.072		
Money Orders	11.3			0.198		
Stamped Envelopes	72.9			1.281		
PO Boxes	15.4			0.270		
Total Mail & Services	56.8			0.000		

Source: Developed from Docket No. R94-1, Opinion and Further Recommended Decision, Appendix G, Schedule 1.